amount to be transferred will be ascertained by applying statistical methods and reasonable approximations.

(8) *Disqualification for days after separation in the case of an employee who has been paid a separation allowance.*—The new disqualifying condition would mean that an employee who has been paid a separation allowance could not receive any unemployment or sickness benefits for a period following his separation from service. The length of the period will be determined by a formula taking into account the amount of his allowance, his last daily rate of pay, and the number of days in his normal work week. The disqualification would apply to any of the days in the period beginning with the day following his separation from service and continuing for that number of consecutive 14-day periods which is equal, or most nearly equal, to the amount of the separation allowance divided (i) by 10 times his last daily rate of compensation prior to his separation if he normally works five days a week, (ii) by 12 times such rate if he normally works six days a week, and (iii) by 14 times such rate if he normally works seven days a week. The purpose of the formula is to make the disqualification cover a period as nearly as possible equivalent to the length of time it would have taken the employee to earn the amount of the separation allowance. In the application of the formula, every employee would be regarded as normally working five days a week unless the evidence showed that he normally works six or seven days a week.

The application of the formula may be illustrated by the following example: An employee received a separation allowance of $1,000; his last daily rate of pay was $25, and there was nothing to show that he normally works six or seven days a week. The daily rate of pay, $25, would be multiplied by ten, the product being 250. The amount of the separation allowance, $1,000, would be divided by this 250, the result being 4. Consequently, the disqualification period, beginning with the day following the employee's separation from service, would continue for four consecutive 14-day periods, amounting to 56 consecutive calendar days.

Actuarial Cost Estimates

The bill would increase the cost of the retirement and survivor program by $62 million a year and the cost of the unemployment and sickness insurance program by $21 million per year. Since the bill would not generate any additional revenues, the added cost would have to be met from existing resources. In the case of the railroad retirement amendments (title I of the bill), the effect of the bill would be to use up the actuarial gains resulting from the 1967 Social Security Amendments and to have the system absorb an additional $15 million per year. This means that after the enactment of the bill there will be an actuarial deficiency of $58 million per year on a level basis which is equivalent to 1.16 per cent of taxable payroll under the new limit of $650 per month. The amendments to the Railroad Unemployment Insurance Act (title II of the bill) would have the effect of prolonging the liquidation of the remaining indebtedness to the Railroad Retirement Account and of slowing down the accumulation of reserves thereafter.

A more detailed analysis of the financial consequences of the bill is given below.

I. AMENDMENTS TO THE RAILROAD RETIREMENT ACT

The pertinent question here is how the actuarial condition of the railroad retirement system after the enactment of the bill will compare with that which existed immediately prior to enactment of the 1967 Social Security Amendments. In order to answer this question, it is necessary to begin the cost analysis with a discussion of the financial effects of these amendments on the railroad retirement system.

Actuarial effects of the 1967 Social Security Amendments

In broad outline, the 1967 Social Security Amendments affected the railroad retirement system in the following ways:

1. The railroad retirement earnings base went up from $550 to $650 per month effective January 1, 1968. This will generate substantial increases in both tax collections and benefit disbursements.
2. The scheduled tax rates were changed by the same fractions of percentage points as were the social security rates.